

Submitted Testimony of the Distributed Wind Energy Association  
Subcommittee on Select Revenue Measures  
Hearing on Certain Expiring Tax Provisions  
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I am Mike Bergey, the President of Bergey Windpower and the current President of the Distributed Wind Energy Association (DWEA). I submit this testimony in that capacity and on behalf of DWEA.

The Distributed Wind Energy Association (DWEA) is a national trade association comprised of wind energy component manufacturers, distributors, project developers, dealers, installers, and advocates, whose primary mission is to promote and foster all aspects of the US distributed wind energy industry. DWEA has dozens of member companies located throughout the United States.

“Distributed wind,” also commonly referred to as “small” or “community wind,” involves the use of typically smaller wind turbines at homes, farms, businesses, and public facilities to off-set all or a portion of on-site energy consumption. This segment of the renewable energy industry already represents approximately \$2 billion in new energy infrastructure for America’s rural communities and commercial and industrial energy consumers on an annualized basis. Also, more than 80 percent of distributed wind turbines sold in the U.S. are manufactured here at home. We appreciate this opportunity to comment on certain expiring provisions that significantly impact our industry.

### **Background on the Distributed Wind Industry**

Community and distributed wind is a dynamic and growing segment of the renewable energy industry. It represented 5.6 percent of all new wind projects in the US in 2010 and that figure rose to over 7 percent in 2011. A unique aspect of most community and distributed wind projects is that local citizens and communities have an ownership stake in these projects, meaning many of the benefits of the project remain in the community, fueling clean energy development

through renewable energy production, reducing costs for electricity, benefiting local economies, and driving job creation.

Because community and distributed wind projects are typically smaller than commercial scale projects and the energy generated is often not for wholesale grid distribution but rather for use by energy consumers at or near the site of generation, they provide several advantages over larger, commercial-scale power projects.

First, by placing generation closer to its point of consumption, the deployment of distributed wind power can reduce the need for new centralized generation and transmission facilities and can reduce stress on existing distribution infrastructure.

Also, because of local investment and employment, community wind projects frequently have a more significant local economic impact than utility wind projects, often providing up to three times more economic impact to a community than larger commercial-scale projects. Thus, community wind projects provide a powerful economic development tool for farmers, ranchers, small business, schools, hospitals and rural communities across America, at a time when job growth is of preeminent concern.

These projects often trigger community interest and support for the development of larger, utility-scale wind projects that, in turn, generate even more clean, domestic, renewable energy and create more good-paying local jobs.

In addition, distributed wind power aggressively promotes our energy security. It's very hard to terrorize wind turbines dotting the landscape.

However community wind projects face unique challenges when compared to conventional, utility-scale wind power, ranging from access to financing, to the inability to take full advantage of federal tax benefits. Despite these barriers, community wind projects have devised innovative financing structures to move forward with projects in areas with quality wind resources and predictable tax treatment of these projects is central to that success.

### **Current Law**

While much attention in the renewable electricity industry has been placed on an extension of the Production Tax Credit (PTC) for renewable electricity, DWEA urges extension of the existing federal Investment Tax Credit (ITC) for all new wind power projects through 2016, which is crucial to the continued growth of this emerging industry.

Internal Revenue Code § 45 enables all electricity generated from wind to receive a PTC for 10 years after equipment installation, provided it is placed into service by December 31, 2012. Internal Revenue Code § 48 of the Code allows companies, in

lieu of the PTC, to claim a 30 percent ITC for all wind facilities placed into service by December 31, 2012.\* In other words, under current law, any company that places a wind facility into service before December 31, 2012 can claim either:

- A PTC of 2.2¢/kWh for electricity produced from the wind for 10 years; or
- A one-time ITC worth 30 percent of the cost of the facility.

Smaller community and distributed wind projects rely heavily on the ITC to finance their projects and installation. Although the PTC has the potential to be more valuable to specific types of wind project developers over the life of certain, often larger, projects, the ITC is vital for distributed wind projects because potential incentives available under the PTC are ill-suited to support private financing for distributed wind projects. This is the case for three primary reasons:

1. Renewable energy investors cannot take advantage of a PTC unless the energy generated from that project is sold to a third party. As indicated above, distributed generation, by its very nature, is designed to be consumed on-site, often by the project developer himself or herself, and is seldom sold to a third party. This greatly limits the accessibility and value of a PTC to small wind project developers. The ITC is not limited by this third-party requirement.
2. Moreover, the PTC can only be used to offset passive income. This feature generally does not impede large, institutional investors, because they routinely realize significant passive income that can be offset by a PTC. However, because many potential investors in small, community or distributed wind projects have inadequate or no passive income, they are precluded from taking advantage of this tax credit, making the ITC much more attractive and valuable to the distributed wind industry.
3. Finally, and relatedly, in order to fully realize the significant multiplier effect of small, distributed wind projects on local economies, and minimize local opposition to new community wind projects, it is ideal to develop a broad pool of local investors for these projects. If they are unable to utilize the PTC and the ITC is allowed to expire, this financial and personal support will not materialize and projects will not get done.

Renewing the ITC for land-based wind power through 2016 is also a matter of parity and fairness. Solar photovoltaic projects of any size are currently eligible for an ITC through 2016 and are widely used in distributed applications. In many areas and for many consumers, these two distributed generation technologies compete directly against one another. Extending the ITC for wind through 2016 creates a

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\* The ITC will continue in force for small wind projects (up to 100kW) placed in service through the end of 2016. Also, solar projects of any size will continue to be eligible for the ITC through 2016.

level playing field among these technologies and allows the customer to determine the optimal technology selection for a given site.

Without an ITC extension for wind projects, federal incentives will lead farmers, schools, manufacturers, retailers and communities to deploy solar photovoltaics or continue to consume non-renewable energy from a centralized utility, rather than providing a broad range of energy choices, to the unfair detriment of the distributed wind industry.

## **Conclusion**

For the reasons stated above, we urge the House Ways and Means Committee to approve and send to the full House of Representatives legislation that would immediately extend the § 48 ITC election through 2016 for all sizes of wind power projects. An ITC extension would maintain a level playing field among competing renewable energy technologies, provide business certainty to the smaller segments of the wind energy industry that are generally unable to utilize the PTC, and enable it to continue to deploy clean renewable, domestically produced energy, using American made equipment, to drive economic growth and job creation in communities across the country.

Thank you again for the opportunity to submit these comments and we look forward to working with you to ensure the continued expansion of this dynamic and growing American industry.

Sincerely,  
Mike Bergey  
President, DWEA